

TOWNSHIP OF BALDWIN
REPORT ON FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name BALDWIN TOWNSHIP	County DELTA
Audit Date MARCH 31, 2004	Opinion Date JANUARY 25, 2005	Date Accountant Report Submitted to State JANUARY 25, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☒ yes ☐ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X
			X

Certified Public Accountant (Firm Name) RAY PAYMENT, CPA			
Street Address 1217 LUDINGTON STREET	City ESCANABA	State MI	ZIP 49829
Accountant Signature 			

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January 25, 2005

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INDEPENDENT AUDITOR'S REPORT

Honorable Township Board
Township of Baldwin
Delta County, Michigan

I have audited the accompanying general purpose financial statements of the various funds of the Township of Baldwin, Michigan as of and for the year ended March 31, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township's management. My responsibility is to express an opinion on these financial statements.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America, Government Auditing Standards, issued by the Comptroller General. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in Note 2, the Township of Baldwin prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Michigan, which is a comprehensive basis of accounting other than generally accepted accounting principles.

As described more fully in Note 2, the Township has not maintained a record of its general fixed assets and, accordingly, the General Fixed Assets Account Group is not included in this report, as required by generally accepted accounting principles.

Management has not presented government-wide statements to display the financial position and changes in financial position of its governmental activities, business-type activities, and discretely presented component units. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The statements of the Township's governmental activities, business-type activities, and discretely presented component units are not reasonably determinable.

January 25, 2005

BALDWIN TOWNSHIP
INDEPENDENT AUDITOR'S REPORT (Continued)

In my opinion, except for the effects of the omission of the general fixed assets and government-wide financial statements as discussed above, the financial statements referred to in the first paragraph present fairly, in all material respects, only the cash and unencumbered cash balances of each of the Township's fund types at March 31, 2004, and revenues received and the expenditures paid to such fund types as discussed in the third paragraph, in conformity with accounting principles generally accepted in the United States of America.

I conducted my audit for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary data are presented for the purpose of additional analysis and are not a required part of the financial statements of Baldwin Township Michigan. Such information has been subjected to the auditing procedures applied in the examination of the financial statements and, in my opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.



Ray L. Payment
Certified Public Accountant

TOWNSHIP OF BALDWIN
COMBINED BALANCE SHEET - CASH BASIS
ALL FUND TYPES AND ACCOUNT GROUPS
MARCH 31, 2004

	<u>Governmental</u>	<u>Fund Type</u>	<u>Fiduciary</u>
	<u>General</u>	<u>Special</u>	<u>Fund</u>
		<u>Revenue</u>	<u>Tax</u>
			<u>Fund</u>
ASSETS:			
Cash and Interest-			
Bearing Deposits			
(Note 3)			
Due from Tax Fund	\$ 97 494	\$ 51 902	\$ 2 742
	<u>2 742</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	\$ 100 236	\$ 51 902	\$ 2 742
	<u> </u>	<u> </u>	<u> </u>
LIABILITIES:			
Due to General Fund	\$ -	\$ -	\$ 2 742
FUND EQUITY:			
Fund Balance - Unreserved	97 147	45 525	-
Reserved	<u>3 089</u>	<u>6 377</u>	<u>-</u>
TOTAL FUND EQUITY	\$ 100 236	\$ 51 902	\$ 2 742
	<u> </u>	<u> </u>	<u> </u>

See accompanying notes to financial statements.

TOWNSHIP OF BALDWIN
COMBINED STATEMENT OF CASH RECEIPTS
DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS
ALL GOVERNMENTAL FUND TYPES
YEAR ENDED MARCH 31, 2004

	<u>Governmental Fund Type</u>	
	<u>General</u>	<u>Special Revenue</u>
CASH RECEIPTS:		
Current Property taxes	\$ 19 881	\$ 65 230
Delinquent taxes	1 647	5 383
Interest income	101	-
State revenue sharing	54 362	-
Swamp tax and C.F.R.	9 209	1 081
Liquor license fees	-	934
Charges for services:		
Fire calls	506	-
Tax collection fees and interest	12 535	-
Refunds, reimbursements & miscellaneous	2 947	-
Sale of cemetery lots	345	-
	<u>101 533</u>	<u>72 628</u>
TOTAL CASH RECEIPTS		
CASH DISBURSEMENTS:		
Legislative:		
Township board expense and trustees	13 467	-
General Government:		
Township supervisor	6 751	-
Clerk	7 081	-
Treasurer	12 142	-
Pension and payroll taxes	6 263	-
Assessor	15 354	-
Board of Review	1 556	-
Cemetery	4 580	-
Insurance	13 373	-
Township hall and grounds	11 472	-
Recreation	2 294	-
Elections	264	-
Highways, roads and street lights	4 890	64 224
Liquor law enforcement	-	720
Fire protection	5 154	-
Capital expenditures	13 950	-
Sanitary landfill	1 140	-
	<u>119 731</u>	<u>64 944</u>
TOTAL CASH DISBURSEMENTS		
EXCESS OF CASH RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ (18 198)	\$ 7 684
FUND BALANCE, April 1, 2003	<u>118 434</u>	<u>44 218</u>
FUND BALANCE, March 31, 2004	<u>\$100 236</u>	<u>\$ 51 902</u>

See accompanying notes to financial statements.

TOWNSHIP OF BALDWIN
 COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - CASH BASIS
 GENERAL AND SPECIAL REVENUE FUNDS
 MARCH 31, 2004

	General Fund		
	Actual Amount	Budget Amount	Variance Favorable (Unfavorable)
CASH RECEIPTS:			
Property taxes	\$ 19 881	\$ 20 000	\$ (119)
Delinquent property taxes	1 647	1 500	147
Swamp tax and C.F.R.	9 209	8 400	809
State revenue sharing	54 362	55 000	(638)
Liquor license fees	-	-	-
Charges for services-			
Fire calls	506	300	206
Tax collection and interest	12 535	10 300	2 235
Interest	101	600	(499)
Refunds and miscellaneous	2 947	3 200	(253)
Sale of cemetery lots	345	500	(155)
TOTAL RECEIPTS	<u>101 533</u>	<u>99 800</u>	<u>1 733</u>
CASH DISBURSEMENTS:			
Legislative:			
Township board	13 467	19 700	6 233
General Government:			
Pension and payroll taxes	6 263	8 050	1 787
Township supervisor	6 751	7 500	749
Clerk	7 081	7 900	819
Treasurer	12 142	12 800	658
Assessor	15 354	16 320	966
Board of Review	1 556	1 700	144
Cemetery	4 580	6 000	1 420
Insurance	13 373	13 000	(373)
Township hall and grounds	11 472	28 000	16 528
Recreation	2 294	4 000	1 706
Elections	264	2 100	1 836
Liquor law enforcement	-	-	-
Fire protection	5 154	6 700	1 546
Highways, roads & street lights	4 890	8 000	3 110
Capital expenditures			
and contingency	13 950	39 930	25 980
Sanitary landfill	1 140	2 500	1 360
TOTAL DISBURSEMENTS	<u>119 731</u>	<u>184 200</u>	<u>64 469</u>
EXCESS OF CASH RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>\$(18 198)</u>	<u>\$(84 400)</u>	<u>\$ 66 202</u>
FUND BALANCE, April 1, 2003	<u>118 434</u>	<u>118 434</u>	<u>-</u>
FUND BALANCE, March 31, 2004	<u>\$100 236</u>	<u>\$ 34 034</u>	<u>\$ 66 202</u>

See accompanying notes to financial statements.

Special Revenue Funds		
Actual Amount	Budget Amount	Variance Favorable (unfavorable)
\$ 65 230	\$ 60 000	\$ 5 230
5 383	5 000	383
1 081	1 100	(19)
-	-	-
934	700	234
-	-	-
-	-	-
-	500	(500)
-	-	-
-	-	-
<u>72 628</u>	<u>67 300</u>	<u>5 328</u>
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
720	1 000	280
-	-	-
64 224	76 600	12 376
-	-	-
-	-	-
<u>64 944</u>	<u>77 600</u>	<u>12 656</u>
\$ 7 684	\$ (10 300)	\$ 17 984
<u>44 218</u>	<u>44 218</u>	<u>-</u>
\$ 51 902	\$ 33 918	\$ 17 984

TOWNSHIP OF BALDWIN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

NOTE 1 - REPORTING ENTITY

Baldwin Township is located in Delta County and provides services to its residents in many areas including community enrichment and development, and human services. In accordance with the provisions of NGCA Statement 3, certain other governmental organizations are not considered to be part of the Township entity for financial reporting purposes. The criteria established by the NGCA for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financial relationships. On this basis, accordingly, the financial statements of certain other governmental organizations are not included in the financial statements of the Township. Education services are provided through the Mid Peninsula School system which is a separate governmental entity and, therefore, not presented in the financial statements included herein.

BASIS OF PRESENTATION

The financial activities of the Township are recorded in separate funds, categorized as follows:

GOVERNMENTAL FUNDS

General Fund

This fund is used to account for all financial transactions except those provided for in another fund. The Fund includes the general operating expenditures of the Township. Revenues are primarily derived from property taxes, State grants and other intergovernmental revenues.

FIDUCIARY FUNDS

Agency Fund

These funds account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or funds. The only Agency Fund is the Current Tax Collection Fund.

TOWNSHIP OF BALDWIN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

SPECIAL REVENUE FUNDS

Fire Road and Liquor Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Baldwin Township do not conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant policies.

Basis of Accounting

Governmental Funds

The accounting policies of Baldwin Township do not conform to generally accepted accounting principles as applicable to governmental units in that the cash basis of accounting is utilized by the governmental fund rather than the modified accrual basis of accounting. Consequently, certain revenue and the related assets are recognized when received rather than when earned, and certain expenditures are recognized when paid rather than when the obligation is incurred.

Fiduciary Funds

The Fiduciary Fund is maintained on a cash basis which is consistent with the accounting measurement objectives of the funds. Reporting these funds on a cash basis does not have an effect materially different from reporting them on the accrual or modified accrual basis as required by generally accepted accounting principles.

Fixed Assets

The accounting policies of Baldwin Township as they relate to fixed assets are not in accordance with generally accepted accounting principles in that the general fixed assets are not recorded.

TOWNSHIP OF BALDWIN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

Property Taxes

The Township's 2003 ad valorem tax was levied and collectible on December 1, 2003. It is the Township's policy to recognize revenues from the current tax levy in the current year when the proceeds on this levy are budgeted and made available for the financing of Township operations. Payment from the county which purchases the 2003 delinquent taxes will be recognized as revenue when received in cash.

See schedule on page 16 for levy breakdown and millage rates.

NOTE 3 - CASH AND INTEREST-BEARING DEPOSITS

Deposits are carried at cost. Deposits of the Township are in three banks in the name of Baldwin Township Treasurer. Michigan Compiled Laws, Section 124.91 authorized the Township Treasurer to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities, and direct obligations of the United States, or any agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the Government National Mortgage Association; United States Government or Federal Agency obligation repurchase agreement; banker's acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rates by two standard rating agencies within the three highest classifications, which matures not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan. The Township's deposits are in accordance with statutory authority.

Governmental Accounting Standards Board (GASB) Statement 3 risk disclosure for the Township's cash deposits are as follows:

<u>Deposits</u>	<u>Carrying Amount</u>
Noninsured	
Insured	\$ 52 138
	<u>100 000</u>
TOTAL DEPOSITS	\$ 152 138

TOWNSHIP OF BALDWIN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

NOTE 4 - BUDGETS AND BUDGETARY ACCOUNTING

As set forth in the Township Charter, the Township adopts an annual budget for the General Fund and Special Revenue Funds. The annual budgets are prepared in accordance with the basis of accounting utilized by those funds (cash basis). The Township board is authorized to transfer budgeted amounts within and among departments. Subsequent to year-end, the board adopts an amended budget approving any transfers among departments or additional expenditures. For the current fiscal year the budgeted expenditures for the General Fund and Liquor Fund were not changed in total. The amount budgets are presented on page 7. All appropriations lapse at fiscal year-end.

NOTE 5 - ECONOMIC DEVELOPMENT GRANT

The Township entered into a grant agreement with CUPPAD and the Economic Development Administration to administer a loan to Creten Brothers. The loan was closed in October, 1987 in the amount of \$78,000, of which \$75,000 was paid by the Township to Creten Brothers and \$3,000 for administration fees.

The Township is not liable on this loan to the State, and any money received on the repayment from EDA loans can be used by the Township for more economic development loans in the Township. On January 19, 1993 a loan was made to Branstrom's Grocery for \$35,000 from these monies. A loan was made to Justin Time on November 10, 1999 for \$35,700, to Demeuse Engineering on November 3, 1999 for \$17,340. The cash balance in the Economic Development account at March 31, 2004 was \$64,229. Deposits reported in the Economic Development account for one loan account cannot be found. This matter has been reported to local and state authorities and is presently under investigation.

NOTE 6 - PENSION PLAN

The Township provides pension benefits for its officers and employees through a defined contribution plan through the Municipal Retirement Systems, Inc.

At March 31, 2004 there were seven employees vested in the plan. Participants are vested immediately in an individual flexible annuity. The plan was in lieu of paying social security on officers' wages. The total cost for the year was \$5,795 to the Township.

The contribution rate for the Township is 12 percent of each employee's wage and is funded by the Township.

TOWNSHIP OF BALDWIN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

NOTE 7 - RESERVED FUND BALANCES

The amount in Reserved Fund Balance consists of amounts reserved for future litigation on a property tax dispute.

NOTE 8 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

NOTE 9 - USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

TOWNSHIP OF BALDWIN
COMBINING BALANCE SHEET - CASH BASIS
SPECIAL REVENUE FUNDS
MARCH 31, 2004

	<u>Road Fund</u>	<u>Liquor Fund</u>
ASSETS:		
Cash	\$ 50 672	\$ 1 230
TOTAL ASSETS	\$ 50 672	\$ 1 230
	<hr/>	<hr/>
FUND BALANCE - Unreserved	\$ 44 295	\$ 1 230
Reserved	<u>6 377</u>	<u>-</u>
TOTAL FUND BALANCE	\$ 50 672	\$ 1 230
	<hr/>	<hr/>

See accompanying notes to financial statements.

TOWNSHIP OF BALDWIN
 COMBINING STATEMENT OF CASH RECEIPTS
 DISBURSEMENTS AND CHANGES IN FUND BALANCE - CASH BASIS
 ALL SPECIAL REVENUE FUNDS
 YEAR ENDED MARCH 31, 2004

	<u>Road Fund</u>	<u>Liquor Fund</u>
CASH RECEIPTS:		
Current property taxes	\$ 65 230	\$ -
Delinquent	5 383	-
Liquor license fees	-	934
Commercial Forest Reserve	<u>1 081</u>	<u>-</u>
TOTAL CASH RECEIPTS	<u>71 694</u>	<u>934</u>
CASH DISBURSEMENTS:		
Liquor law enforcement	-	720
Road construction	<u>64 224</u>	<u>-</u>
TOTAL CASH DISBURSEMENTS	<u>64 224</u>	<u>720</u>
EXCESS OF CASH RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 7 470	\$ 214
FUND BALANCE, April 1, 2003	<u>43 202</u>	<u>1 016</u>
FUND BALANCE, March 31, 2004	<u>\$ 50 672</u>	<u>\$ 1 230</u>

See accompanying notes to financial statements.

TOWNSHIP OF BALDWIN
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL FIDUCIARY FUND TYPES
MARCH 31, 2004

<u>CURRENT TAX COLLECTION FUND</u>	<u>Balance April 1, 2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance March 31, 2004</u>
<u>ASSETS</u>				
Cash	\$ -	\$ 899 624	\$ 896 882	\$ 2 742
TOTAL ASSETS	\$ -	\$ 899 624	\$ 896 882	\$ 2 742
<u>LIABILITIES</u>				
Due to other taxing units:				
State of Michigan	\$ -	\$ 111 124	\$ 111 124	\$ -
Bay de Noc College	-	76 671	76 671	-
Township of Baldwin	-	94 009	91 267	2 742
Delta County	-	155 052	155 052	-
Intermediate School District	-	53 394	53 394	-
Mid Peninsula Area Schools	-	409 374	409 374	-
TOTAL LIABILITIES	\$ -	\$ 899 624	\$ 896 882	\$ 2 742

TOWNSHIP OF BALDWIN
SCHEDULE OF ASSESSED VALUATION TAX RATES AND LEVIES
YEAR ENDED MARCH 31, 2004

	Baldwin Township <u>General Fund</u>	Baldwin Township <u>Road Fund</u>	Bay de Noc Community <u>College</u>
Taxable valuation	\$ 23 624 597	\$ 23 627 597	\$ 23 624 597
Millage rate	<u>.9077</u>	<u>2.9778</u>	<u>3.5000</u>
Tax Levy	21 439	70 342	82 679
Taxes returned delinquent	<u>1 558</u>	<u>5 112</u>	<u>6 008</u>
Current tax collection	<u>\$ 19 881</u>	<u>\$ 65 230</u>	<u>\$ 76 671</u>

<u>Delta County</u>	<u>Area Public Schools</u>	<u>Intermediate Schools</u>	<u>State of Michigan S.E.T.</u>
\$ 23 624 597	\$ 23 624 597	\$ 23 624 597	\$ 23 624 597
<u>6.5719</u>	<u>26.1000</u>	<u>2.4375</u>	<u>5.0000</u>
155 238	434 526	57 579	118 068
<u>11 281</u>	<u>24 994</u>	<u>4 185</u>	<u>6 944</u>
<u>\$ 143 957</u>	<u>\$ 409 532</u>	<u>\$ 53 394</u>	<u>\$ 111 124</u>

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January 25, 2005

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
"GOVERNMENT AUDITING STANDARDS"

Baldwin Township Board
Baldwin Township
Delta County, Michigan

I have audited the general purpose financial statements of Baldwin Township as of and for the year ended March 31, 2004, and have issued my report thereon dated January 25, 2004. I conducted my audit in accordance with auditing standards accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Baldwin Township's general purpose financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed certain instances of noncompliance that are required to be reported under Government Auditing Standards as follows:

The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.

Internal Control Over Financial Reporting

In planning and performing my audit I considered Baldwin Township's internal control over financial reporting in order to determine my audit procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not


January 25, 2005

necessarily disclose all matter in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted certain matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses as follows:

Deposits slips are not being properly prepared. All checks should be listed by name so they can be traced to the receipts journal, and all cash should be deposited intact and at least weekly.

Deposits reported in the Economic Development account for one loan account cannot be found. This matter has been reported to local and state authorities and is presently under investigation.

This report is intended solely for the information and use of the audit committee, management, others within the organization, Township Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


Ray L. Payment
Certified Public Accountant